

## Message Text

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PAGE 01 STATE 187169

61

ORIGIN EB-11

INFO OCT-01 NEA-10 ISO-00 AGR-20 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15

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R 201656Z SEP 73

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA

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E.O. 11652: N/A

TAGS: EAGR, SA

SUBJECT: AGRICULTURAL COMMODITY SITUATION

REF: JIDDA 3862

1. DATA REQUESTED IN PARA 5 TEHRAN'S 5888 (UP DATED THROUGH SEPT. 12) AS FOLLOWS: ALL COUNTRIES INCLUDING THE U.S. ARE SUFFERING FROM DIFFICULTIES CAUSED BY LARGE PRICE INCREASES RESULTING FROM WORLD-WIDE TIGHT COMMODITY SITUATION. TO ALLEVIATE SITUATION USG HAS ABANDONED ALL PRODUCTION RESTRAINTS AND BELIEVES PRODUCTION RESPONSE IN BOTH U.S. AND ABROAD TO CURRENT HIGH PRICES WILL BE SUFFICIENT TO MEET NORMAL NEEDS OF IMPORTING COUNTRIES THIS YEAR AND IN 1974.

2. LATEST COMPLETE FIGURES ON WORLD COMMODITY SUPPLY AND PRICES FOLLOW:

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PAGE 02 STATE 187169

## A. WHEAT (MILLION METRIC TONS)

	PROJECTED		
	1971/72	1972/73	1973/74
PRODUCTION			
WORLD	323.7	313.9	333
USA	44.0	42.0	47

	PROJECTED		
	1971/72	1972/73	1973/74
EXPORTS			
WORLD	55.5	72.6	67
USA	16.9	32.0	30

STOCKS (AS OF JUNE 30)			
MAJOR COMPETITORS	26.0	17.8	17
USA	23.5	11.6	8
TOTAL	49.5	29.4	25

PRICE (PER TON)	SEPT. 12, 1972	SEPT. 12, 1973
FOB PACIFIC NORTHWEST PORTS		
HARDWINTER WHEAT	DOLS. 76.06	DOLS. 202.09
(ORDINARY PROTEIN)		
WESTERN WHITE	DOLS. 76.06	DOLS. 202.09

## B. EDIBLE VEGETABLE OILS (1,000 METRIC TONS) PROJECTED

	1971	1972	1973
WORLD PRODUCTION	20,665	21,660	21,650
USA	6,141	6,465	7,176
WORLD EXPORTS	5,661	5,945	6,378
US EXPORTS	3,121	3,058	3,590
US STOCKS (AS OF OCT. 1)	348	353	180

US PRICES (PER POUND)	SEPT. 1972	SEPT. 1973
SOYBEAN OIL		
DECATUR, ILL.	9.96 CENTS	25 CENTS

3. WORLD-WIDE INFLATION, US DEVALUATION, RISING INCOMES  
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PAGE 03 STATE 187169

AND DIETARY LEVELS IN MANY COUNTRIES COMBINED WITH CROP LOSSES IN MANY PARTS OF THE WORLD ARE RESPONSIBLE FOR TIGHT COMMODITY SITUATION. ON SUPPLY SIDE CONTRIBUTING FACTORS HAVE BEEN: WINTER KILL AND DROUGHT IN USSR IN 1971/72, DROUGHT IN INDIA, AND IN PEANUT GROWING AREAS OF AFRICA; DROUGHT IN AUSTRALIA AND SOUTH AFRICA; THE SHARP DECLINE IN PRODUCTION OF THE FISHMEAL INDUSTRY IN PERU; AND FLOODING AND HEAVY RAINS IN U.S. THAT DELAYED PLANTING

THIS SPRING. THE U.S. HAS BORNE THE BRUNT OF THE WORLD'S INCREASED IMPORT DEMAND BROUGHT ABOUT BY PRODUCTION SHORTFALLS AND THE DECLINE IN EXPORT AVAILABILITIES OF OTHER SUPPLIERS BY HEAVILY DRAWING DOWN ITS OWN STOCKS.

OUR WHEAT STOCKS WERE CUT IN HALF FROM 23.5 MILLION METRIC TONS AS OF JUNE 30, 1972 TO 11.6 MILLION TONS AS OF JUNE 30, 1973. OUR FEEDGRAIN STOCKS WERE CUT 8.6 MILLION TONS BETWEEN THESE TWO DATES. THE DECLINE IN WORLD AND U.S. GRAIN STOCKS, WHICH ACCOUNT FOR ABOUT 70 PERCENT OF THE STOCKS OF THE MAJOR EXPORTING COUNTRIES, TO ONE OF THE LOWEST LEVELS RELATIVE TO TOTAL TRADE SINCE THE KOREAN WAR HAS CREATED A SCARE PSYCHOLOGY IN THE IMPORTING COUNTRIES. MOST OF THESE COUNTRIES HAVE ALREADY MADE PURCHASES THIS EARLY IN THE NEW CROP YEAR TO COVER THEIR FULL YEAR'S REQUIREMENTS, AND THE CONCENTRATION OF EXPORT ORDERS HAS BEEN A MAIN FACTOR IN THE PRICE SITUATION.

4. VEGETABLE OIL SITUATION, SHOWS SIGNS OF IMPROVEMENT AND RECOVERY IN THE COMING YEAR. THE CURRENT SHORTAGE OF OILSEED AND PROTEIN MEAL WHICH HAS RESULTED IN SUCH A SHARP RISE IN THE PRICE OF SOYBEANS DURING THE LAST SIX MONTHS WAS CAUSED BY A COMBINATION OF WORLD WIDE FACTORS WHICH IS UNLIKELY TO OCCUR IN THE FUTURE. SUCH FACTORS CAUSED INCREASED STRAINS ON THE WORLD'S SUPPLY OF PROTEIN MEAL AND VEGETABLE OILS AT A TIME WHEN U.S. AND OTHER PRODUCERS' CARRYOVER STOCKS FROM THE PREVIOUS CROP YEAR WERE ALREADY DRAWN DOWN. EVEN WITH AN OUTLOOK FOR A BUMPER CROP OF SOYBEANS IN THE U.S. THIS FALL AS WELL LIMITED OFFICIAL USE

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PAGE 04 STATE 187169

AS A RETURN TO MORE NORMAL PATTERNS OF PRODUCTION OF PROTEINS ELSEWHERE, PROTEIN MEAL PRICES IN 1974 SHOULD REMAIN FIRM ALTHOUGH OIL PRICES WILL LIKELY DROP CONSIDERABLY.

FOR COMING YEAR THE  
OUTLOOK FOR GRAIN SUPPLY, DISTRIBUTION AND PRICES IS A  
FOLLOWS:

A. PRICES

U.S. FUTURE MARKETS SUGGEST THAT DOMESTIC AND FOREIGN DEMAND IS FIRM AND WILL CONTINUE TO REMAIN SO FOR FORESEEABLE FUTURE. ON KANSAS CITY FUTURE MARKETS THE CURRENT PRICE FOR SEPTEMBER DELIVERY OF A BUSHEL OF WHEAT

IS DOLS. 5.05 COMPARED TO ABOUT DOLS. 4.60 A MONTH AGO.  
FOR MAY 1974 DELIVERY QUOTATION ON THE SAME MARKET IS  
OVER DOLS. 4.75 PER BUSHEL.

B. SUPPLY AND DISTRIBUTION

IN TERMS OF SUPPLY AND DISTRIBUTION OF COMMODITIES AND  
WHAT IMPORTING COUNTRIES MAY REASONABLY EXPECT IN THE  
COMING YEAR, SECRETARY BUTZ AND OTHERS HAVE RECENTLY  
REITERATED THE VIEW THAT EXPORT CONTROLS WILL NOT BE  
NECESSARY, BARRING SOME UNFORESEEABLE DISASTER IN U.S.  
HARVESTS. THEREFORE, IT IS PREMATURE TO DISCUSS THE  
PRINCIPLES AND CRITERIA UNDER WHICH EXPORT CONTROLS MIGHT  
BE APPLIED AND THE CORRESPONDING RATIONALE THAT MIGHT  
EVOLVE FOR ANY EXCEPTIONS IN MAKING ALLOCATIONS ABROAD.

WITH REGARD TO PL 480, FY 1974 - PROGRAM FOR MOST  
COMMODITIES IS BEING REDUCED TO THE MINIMUM NECESSARY  
TO MEET MOST URGENT SECURITY AND HUMANITARIAN REQUIRE-  
MENTS.

5. STATE CABLES 195320 AND 163272 WERE DRAFTED IN AID AND  
REFER TO PL-480 PROGRAMMING SITUATION AS IT IS AFFECTED BY  
COMMODITIES AVAILABILITIES. SINCE SAUDI ARABIA IS NOT  
PL-480 RECIPIENT COUNTRY, WE DO NOT PLAN TO REPEAT CABLES  
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PAGE 05 STATE 187169

AS REQUESTED PARA ONE REFTTEL. RUSH

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## Message Attributes

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